



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ADDRESS ALL CORRESPONDENCE TO:
AUDIT DIVISION
350 S. FIGUEROA ST., 8TH FLOOR
LOS ANGELES, CA 90071

November 7, 2011

TO: Glen Joe, Director
Fiscal Administration
Sheriff's Department

FROM: Robert Campbell, Acting Chief
Audit Division

SUBJECT: **SHERIFF'S DEPARTMENT – CONTRACTS REVIEW**

We reviewed the Sheriff's Department (Sheriff's or Department) contracting practices to evaluate the Department's compliance with the County Fiscal Manual (CFM), County contracting policies, and Internal Services Department (ISD) guidelines. Our review focused primarily on the Contracts Unit (CU) and Contracts Compliance Monitoring Unit (CCMU), which have overall responsibility for soliciting, evaluating, and monitoring contracts, and recording Sheriff's contract information in Countywide and Departmental databases. In Fiscal Year (FY) 2010-11, the Sheriff's had approximately 130 contracts, totaling \$146 million per year.

Summary of Findings

We noted that the Sheriff's contracts appeared to be appropriate and necessary for the Department's operations. However, Sheriff's management needs to ensure the Department complies with all County contracting requirements. The following are examples of areas for improvement:

- CU needs to improve their recordkeeping. For three (23%) of 13 contracts reviewed, the Department could not provide all of the required contract solicitation and evaluation documents (e.g., staff certifications, proposal receipt dates, etc.).
- CCMU should comply with the CFM and the Board of Supervisors' policies for contract monitoring. While the Department reviews invoices and ensures that contractors performed satisfactorily before issuing payments, we noted that for

12 (86%) of 14 contracts reviewed, the Department was not monitoring the contracts annually to ensure compliance with all agreement requirements, such as licensing and performance measures.

- Sheriff's management should review their Contract Monitoring Information System (CMIS) to eliminate unnecessary data, and ensure staff maintain accurate and up-to-date contract records. We noted that the Sheriff's database contained some redundant, inaccurate, and out-of-date information.

The following are the detailed results of our review, and recommendations for corrective action.

Solicitation and Evaluation Documents

The County Services Contracting Manual (SCM) requires departments to notify potential vendors of solicitations, to ensure vendors include all required documentation in their responses, such as certifications, references, and proof of experience, and to evaluate only responses received before the stated deadline. In addition, as of June 2009, SCM Section 7.7.5 requires departments to keep all notes, documents, and any other evaluation materials used in the contractor selection process.

We reviewed 13 contract solicitations, and noted three (23%) instances where the Sheriff's either did not document that they obtained all the required information in vendor proposals, or did not document when the proposals were received.

In addition, SCM Section 7.7.1 requires that proposal evaluators sign a "Conflict Of Interest/Confidentiality Agreement" form to minimize actual or perceived bias. We noted that, for two of the five proposals reviewed, the Department did not have the signed "Conflict of Interest" forms for any of the evaluators. As a result, the Department cannot ensure the evaluators' impartiality.

The Department indicated that they do not have procedures to keep supporting documentation or signed "Conflict of Interest" forms in the contract solicitation files.

Recommendations

Sheriff's management:

1. **Develop and implement procedures to keep contract solicitation and evaluation supporting documentation, and signed "Conflict of Interest" forms.**

Contract Monitoring

CFM Section 12.5.1 requires departments to develop a comprehensive Quality of Service Monitoring Plan (QSMP) for each contracted program. CFM Section 12.5.0 also requires departments to monitor contractors' compliance with County contracting requirements (e.g., contract terms, current insurance coverage, current licenses and certifications, etc.). In addition, Board of Supervisors Policy 5.040 requires departments to evaluate contractors' performance under the agreements at least annually.

We reviewed 14 contracts and noted that, for six (43%) contracts, CCMU did not prepare a QSMP as required. In addition, CCMU did not conduct annual reviews for 12 (86%) of the 14 contractors. For example:

- CCMU did not always verify that contractors maintained current licenses and insurance required under the contracts.
- CCMU did not always verify that contractors complied with specific contract requirements, such as lab test turnaround times, and a federal requirement for at least 20% of food items to be "healthy snacks" as defined by Federal rules.

Although Sheriff's staff review invoices and ensure that contractors provided the invoiced services, as described above, the Department does not always monitor the contractors' performance annually.

Sheriff's management should ensure staff prepare monitoring plans for all contracts, and monitor all contracts at least annually to ensure compliance with County contracting requirements.

Recommendation

- 2. Sheriff's management ensure staff prepare monitoring plans for all contracts, and monitor all contracts at least annually to ensure compliance with County contracting requirements.**

Contract Reporting

CFM Section 12.4.4 and BOS Policy 5.015 require departments to maintain accurate information in the ISD Contract Database, the electronic Countywide Accounting and Purchasing System (eCAPS), and the Countywide Contract Monitoring System (CCMS) database. ISD's Contract Database includes contract information for Proposition A/Living Wage, cafeteria services, information technology, and construction contracts to help other departments evaluate potential contractors/vendors. eCAPS and CCMS include contract information, such as spending limits, expenditures, and expiration dates to help departments monitor contract activity.

We reviewed seven Sheriff's contracts posted to ISD's Contract Database, and noted that all seven contracts had missing or incorrect information (e.g., contract cost, department contact, etc.). We also reviewed 50 contracts reported in eCAPS, and noted that, for 21 (42%) of the contracts, staff entered incorrect contract information. For example, expiration dates for 14 contracts did not agree with dates specified in the contracts.

While we did not note any retroactive contracts, missing and/or inaccurate information in the County's contract databases makes it difficult for departments to evaluate potential contractors/vendors, and increases the risk of paying for services that exceed the Sheriff's authority. Sheriff's management should train staff to ensure they enter accurate and complete contract information into ISD's Contract Database, eCAPS, and CCMS and monitor for compliance.

Recommendation

- 3. Sheriff's management train staff to ensure they enter accurate and complete contract information into ISD's Contract Database, eCAPS and CCMS and monitor for compliance.**

Contract Monitoring Information System

In addition to the ISD and eCAPS databases mentioned above, the Sheriff's has developed and uses CMIS to track project development, budgets, expenditures, and termination dates to minimize retroactive contracts.

During our review, we noted that Contract Monitoring Information System (CMIS or System) reports some of the same data/information (e.g., contract periods, budgets and expenditures) as eCAPS and CCMS. In addition, the information in CMIS is not always accurate and/or up-to-date, because staff do not regularly update the information in CMIS. For example, CMIS underreported one contract's year-to-date expenditures by \$2.5 million.

CU management indicated that CMIS provides useful project development information not available in eCAPS or CCMS, including information on the research, solicitation, and evaluation phases of the contracting process. In addition, staff are aware that CMIS is not regularly updated, and therefore do not rely on all the information in the System.

To minimize redundancy, and ensure accurate and relevant contract tracking data/information, Sheriff's management should review CMIS to eliminate unnecessary information, and ensure staff maintain accurate and up-to-date contract information in the System.

Recommendation

- 4. Sheriff's management review CMIS to eliminate unnecessary information, and ensure staff maintain accurate and up-to-date contract information in the System.**

Review of Report

We discussed the results of our review with Sheriff's management. The Department indicated agreement with our findings and recommendations. Sheriff's management also indicated that the Department has implemented corrective actions to address the findings and recommendations in this report.

We thank Sheriff's management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Mike Pirolo at (213) 253-0105.

RGC:MP:GU

c: Leroy D. Baca, Sheriff
Wendy L. Watanabe, Auditor-Controller
Audit Committee